

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6886

BILL NUMBER: HB 1144

NOTE PREPARED: Dec 30, 2014

BILL AMENDED:

SUBJECT: Handgun License Repeal.

FIRST AUTHOR: Rep. Lucas

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill repeals the law that requires a person to obtain a license to carry a handgun in Indiana. It makes conforming amendments.

Effective Date: July 1, 2015.

Summary of NET State Impact: The state General Fund would experience a net loss of an estimated \$4.1 M in FY 2016 and \$4.2 M in FY 2017 as a result of the bill. The following table illustrates the net loss.

Net State Impact of Repeal of Handgun License.		
	FY 2016	FY 2017
Change in Revenues (Loss)	(\$4,382,100)	(\$4,469,700)
Reduction in Expenditures (Gain)	\$276,300	\$277,000
Net Impact (Loss)	(\$4,105,800)	(\$4,192,700)

Explanation of State Expenditures: *Summary-* Elimination of the handgun license would relieve the Indiana State Police (ISP) from reviewing and maintaining handgun license applications and records. The ISP has civilian record keepers that handle the administration of handgun licensing as a part of the ISP's Records Division. The total annual salary and benefits for these ISP employees is estimated at \$276,300 in

FY 2016 and \$277,000 in FY 2017. The ISP could terminate these positions or reassign them to other duties. The net impact, above, assumes the positions would be terminated. However, any personnel savings that the bill could generate would depend on future agency actions.

Excess Handgun License Fee Fund- Under current law, whenever annual revenues from handgun licensing exceed \$1.1 M, the remaining revenue is transferred from the state General Fund into the Excess Handgun License Fee Fund (Excess Fund). Proceeds in the Excess Fund, subject to appropriation and allotment, are used to finance the operational costs of the ISP's Records Division. The average annual expenditure from the Excess Fund was \$2.7 M from FY 2012 through FY 2014. At this annual level of expenditure, without additional transfers, the Excess Fund would deplete within three state fiscal years from the effective date of the bill. In order to maintain the operation of their Records Division, the ISP would have to reallocate existing funding from other sources or seek new funding.

Additional Information- The available balance within the Excess Fund was \$6.08 M as of November 4, 2014. The average annual expenditure from the fund (FY 2012 - FY 2014) was \$2.7 M. The ISP's Records Division maintains data on criminal history records, fingerprint identification, firearms licensing, and vehicle crash records.

Explanation of State Revenues: *Summary-* The estimated revenue loss from elimination of the handgun license is \$4.4 M in FY 2016 and \$4.5 M in FY 2017. Handgun license revenue is deposited into the state General Fund.

Criminal Penalties: Several Class A and Class B misdemeanor provisions would be repealed as result of the bill. If fewer court cases occur and fines are collected, revenue to both the Common School Fund (from fines) and the state General Fund (from court fees) would decrease. The maximum fine for a Class A misdemeanor is \$5,000 and \$1,000 for a Class B misdemeanor. However, any revenue loss would likely be small.

Additional Information- Handgun license revenue has been stable at roughly \$4 M to \$5 M annually over the last several state fiscal years, except for FY 2013. During a four-month period (January through April of 2013), much higher license fee collections occurred. As a result, FY 2013 revenues totaled \$8.1 M. When determining the estimates of the revenue loss the bill would generate, FY 2013 was not included in the average. Revenue collections during the first third of the current fiscal year have totaled \$1.4 M. This amount is similar to each prior fiscal year's first third of revenue collections. A 2% level of growth was used for the FY 2016 and FY 2017 revenue estimates.

Explanation of Local Expenditures: *Criminal Penalties:* Repeal of the handgun license could reduce the number of persons held in county jails for misdemeanors. However, given many handgun license offenses are secondary offenses, the reduction in persons held in county jails awaiting trial is likely to be small. A Class A misdemeanor is punishable by up to one year in jail. A Class B misdemeanor is punishable by up to 180 days in jail.

Explanation of Local Revenues: *Summary-* When a person applies for a handgun license, along with the state fees, local fees are assessed. In aggregate, had the proposed repeal of handgun licensing been in effect during FY 2013, local law enforcement agencies would have lost an estimated \$4 M in local handgun fee revenue. The local share of handgun license fees is placed into the law enforcement agency's firearms training fund or a similarly appropriate fund. The following table lists the fees.

Local Handgun License Fees	
Application Fee	Amount
Four-year license	\$10
Lifetime license	\$50
Lifetime w/a valid four-year license	\$40

The local revenue loss was calculated by multiplying the above fees to actual handgun license application records, maintained by the Indiana State Police from CY 2012 and CY 2013.

Criminal Penalties: If fewer court actions occur, local governments would receive less revenue from court fees. However, any reduction in revenue would likely be small.

Additional Information- A sample of 31 Indiana counties reported 503 cases of misdemeanors for violation of the handgun licensing statute during CY 2013. Vigo County only included violations cited in Terre Haute.

State Agencies Affected: Indiana State Police.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Indiana State Police: Handgun License Applications and Denials Data, *Annual Report 2012*; Mary Deprez, Indiana State Court Administration; State Staffing Reports; Budget Agency Auditor's Trial Balance.

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